

Message Text

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ORIGIN EB-11

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ARA/NC/V - MR. FORRESTER

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R 172300Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

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E.O. 11652

TAGS: ENRG

SUBJECT: VENEZUELAN OIL AND LNG

REF: STATE'S TELEGRAM 134911 AND CARACAS TELEGRAM 6069

1. DEPARTMENT OFFICERS (ARA/NC AND EB/FSE) DISCUSSED NUMBER OF TOPICS WITH VENEZUELAN EMBASSY PETROLEUM COUNSELOR ROSSI ON EVE HIS DEPARTURE FOR CONSULTATIONS IN CARACAS. WE TOOK ADVANTAGE OF MEETING TO REVIEW REASONS FOR SPECIAL CANADIAN FEE SCHEDULE CONTAINED IN JUNE 19 PROCLAMATION AND TO INFORM HIM THAT PROCLAMATION NOW BEING DRAFTED WILL APPLY THIS STRUCTURE TO IMPORTS OF CANADIAN UNFINISHED OILS AS WELL. AFTER WE EXPLAINED RATIONALE CONTAINED IN DEPARTMENTS 134911 AS APPLYING TO BOTH PRODUCTS AND UNFINISHED OILS, ROSSI SAID THAT HE UNDERSTOOD REASONS FOR SPECIAL CANADIAN FEE SCHEDULE.

2. ROSSI DID HOWEVER MENTION THAT ALTHOUGH VENEZUELAN EXPORTS WILL NOT BE HARMED IN ANY WAY, EXCLUSION OF LIMITED OFFICIAL USE

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VENEZUELA FROM SPECIAL FEE STRUCTURE HAS HAD UNFORTUNATE

COSMETIC EFFECT, ADDING IT IS QUOTE A QUESTION OF PRINCIPLE. END QUOTE. AFTER EXPRESSING UNDERSTANDING FOR THESE SENSITIVITIES, WE POINTED OUT THAT RECENT IMPORT PROGRAM ACTIONS WERE TAKEN IN FULL KNOWLEDGE THAT VENEZUELAN SALES WOULD NOT RPT NOT BE HARMED BY THEM, AND THAT THESE POLICY DECISIONS WOULD HAVE BEEN HANDLED MUCH DIFFERENTLY IF THERE WERE THE POSSIBILITY THAT VENEZUELA'S OIL EXPORTS AND ECONOMY WOULD SUFFER.

3. SPEAKING PERSONALLY, ROSSI SAID THAT BEST COURSE FOR U.S. WOULD BE EXTENSION OF SPECIAL CANADIAN FEE SCHEDULE TO VENEZUELA; THIS WOULD IMPROVE THE ATMOSPHERE FOR FRANK AND PRODUCTIVE TALKS ON THE TAR BELT AFTER INSTALLATION OF NEW ADMINISTRATION. HE THEN MADE THE (FOR HIM) NOVEL REMARK THAT EVEN A BOON OF THIS TYPE WOULD PROBABLY BE MISCONSTRUED BY MANY VENEZUELAN AS EVIDENCE OF THE USG FAVORING THE PRESENT ADMINISTRATION IN THE FORTHCOMING ELECTIONS.

4. DEPARTMENT OFFICERS ALSO HIGHLIGHTED POSSIBLE PROBLEM (ASIDE FROM THAT OF OWNERSHIP OF GAS) CONNECTED WITH COLUMBIA GAS AND OTHER LNG PROJECTS UNDER CONSIDERATION. USG HAS AS YET NOT RPT NOT ELABORATED ITS POLICY TOWARD OWNERSHIP OR FLAG OF LNG TANKERS SERVICING U.S. LNG PROJECTS. ALTHOUGH WE EMPHASIZED IT IS BY NO MEANS CERTAIN THAT THE POLICY ULTIMATELY ADOPTED WOULD IN ANY WAY CLASH WITH EITHER VENEZUELAN COMMERCIAL DESIRES OR FLAG PREFERENCE LAWS, WE DID WANT TO CALL THIS QUESTION TO GOV ATTENTION AS A SUBJECT WHICH MIGHT HAVE TO BE CONSIDERED. BEGIN FYI. DEPARTMENT HAS RECENTLY DISCUSSED VENEZUELAN LNG PROJECT WITH "GOTHAM GROUP", AN AMALGAMATION OF THREE LEADING NEW YORK CITY UTILITIES WHO ARE APPARENTLY COMPETING WITH COLUMBIA GAS AS BUYERS FOR VENEZUELAN LNG (PROJECT DESCRIPTION BEING POUCHED). WE HAVE TOLD THEM THAT DEPARTMENT UNOFFICIALLY FAVORS U.S. OWNERSHIP OF AT LEAST 50 PERCENT OF TANKERS ON SECURITY GROUNDS AND THAT IT LIKELY THAT THERE WILL BE DOMESTIC POLITICAL PRESSURES TO MAXIMIZE U.S. ELEMENT IN CONSTRUCTION AND CREWS. GOTHAM GROUP INFORMED US THAT GOV SEEMED AWARE OF THIS FACTOR, WAS PREPARED TO BE "FLEXIBLE" ON LIMITED OFFICIAL USE

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SUBJECT, AND MIGHT AGREE TO U.S. OWNERSHIP - VENEZUELAN FLAG SITUATION. END FYI. RUSH

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